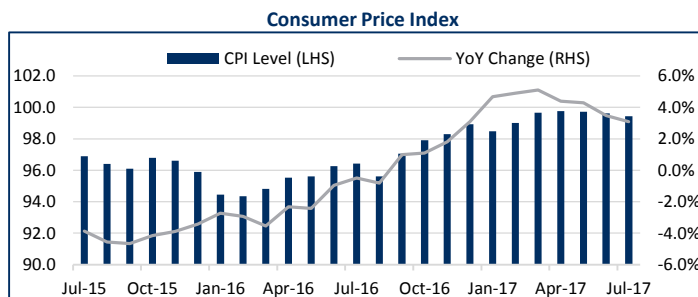


Economics Research – Lebanon Inflation Watch – July 2017

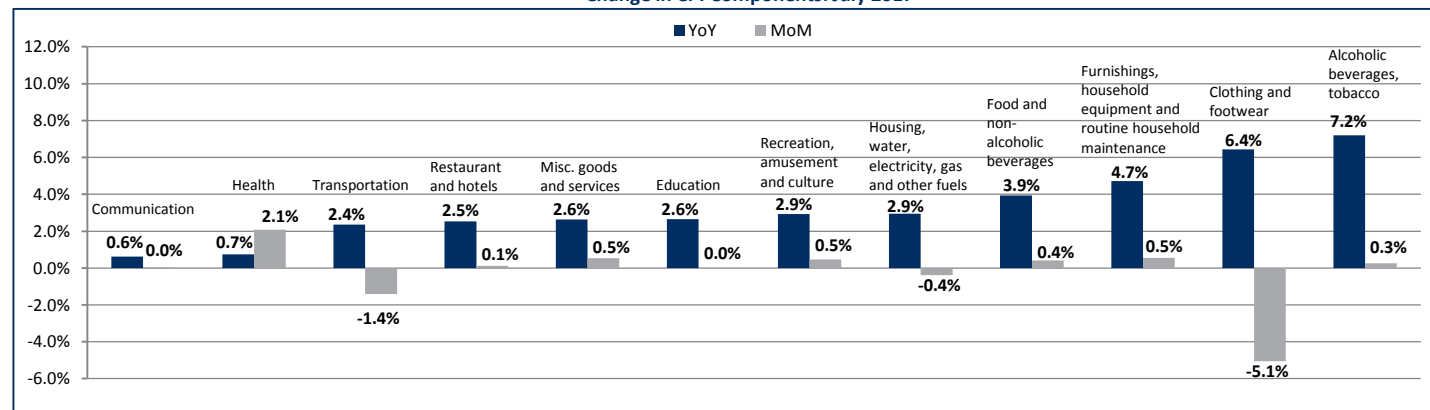
LEBANON'S CONSUMER PRICE INDEX (CPI) up +3.1% YoY in July 2017:

Lebanon's Consumer Price Index up +3.1% YoY to 99.43 in July 2017 from 96.42 in July 2016 yet was down -0.2% from 99.61 in June 2017 (according to a revised version from CAS). The biggest drivers YoY were housing, water, electricity, gas and other fuels which increased +2.9% (-0.4% MoM), food and non-alcoholic beverages up +3.9% (+0.4% MoM), clothing and footwear up +6.4% (-5.1% MoM) and transportation up +2.4% (-1.4% MoM).

According to the IMF, inflation in Lebanon was +4.8% in 2013, +1.8% in 2014, -3.7% in 2015, -0.8% in 2016 and projected at +2.6% in 2017 and +2.0% in 2018 (using average consumer prices).

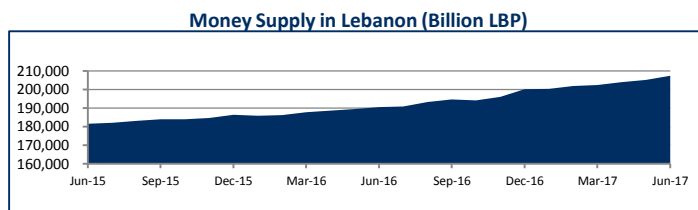


Change in CPI Components: July 2017



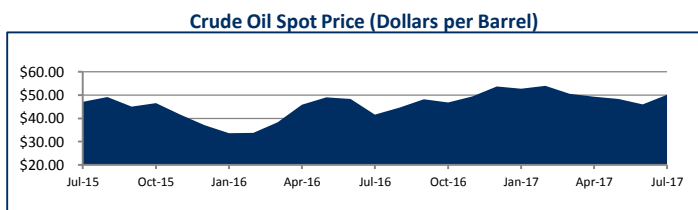
MONEY SUPPLY IN LEBANON

M3 increased +8.8% YoY and +1.0% MoM to LBP 207,291 billion (USD 137.5 billion) in June 2017. M3, a benchmark for broad money, is the sum of currency in circulation, sight and time deposits in Lebanese pounds and deposits in foreign currencies and other financial liabilities. Net foreign assets were up +5.7% YoY (-2.4% MoM), net claims on public sector were down -0.1% YoY (+0.2% MoM) and claims on private sector were up +7.2% YoY (+2.1% MoM).



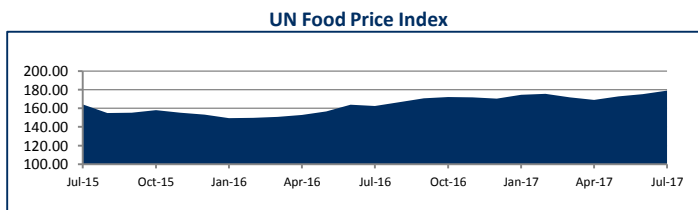
CRUDE OIL SPOT PRICE

WTI Cushing spot price was up +20.6% YoY and +9.0% MoM to \$50.17 per barrel in July 2017. The WTI spot price measures the price of West Texas Intermediate oil on world markets. Brent spot price increased +23.9% YoY and +9.8% MoM to \$52.62 per barrel. Oil price rose on weaker US Dollar and larger-than-expected drop in crude oil inventories throughout the month. In addition, Saudi Arabia announced that it will cut crude exports in August to reduce global glut during OPEC/non-OPEC meeting held in St Petersburg.



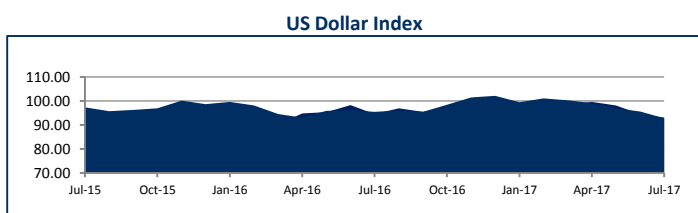
UN FOOD PRICE INDEX

UN Food Price Index rose +10.2% YoY in July 2017 to 179.10 from 162.49 in July 2016 and +2.2% from its June value. The UN Food Price Index measures the price of global food staples. The price of dairy was up +52.2% YoY (+3.6% MoM) followed by the price of cereals up +9.5% (+5.1% MoM), meat up +8.2% (-0.1% MoM), vegetable oils up +1.9% (-1.1% MoM) while the price of sugar was down -25.6% (+5.2% MoM).



US DOLLAR INDEX

US Dollar Index was down -2.8% YoY and -2.9% MoM to \$92.86 in July 2017. The US Dollar Index measures the value of the US dollar against a basket of the world's most widely held currencies. The US Dollar Index weakened in July on US political uncertainty, doubts around Trump's ability to implement pro-growth agenda and weaker-than-expected US macro data, as well as cautious US Fed officials comments and FOMC statement hinting to a gradual rate hike path.





Contacts

Head of Research: Anna Maria Chaaraoui

a.chaaraoui@ffaprivatebank.com

+961 1 985195

Analyst: Nadine Mezher

n.mezher@ffaprivatebank.com

+961 1 985195

Sales and Trading, FFA Private Bank (Beirut)

+961 1 985225

Sales and Trading, FFA Dubai Ltd (DIFC)

+971 4 3230300

FFA Private Bank s.a.l.

One FFA Gate - Marfaa 128 - Foch Street

Beirut Central District

PO Box 90-1283 - Beirut - Lebanon

Tel: +961.1.985 195

Fax: +961.1.985 193

<http://www.ffaprivatebank.com>

FFA Dubai Ltd

Building 5 – Office 410

Gate Precinct

Dubai International Financial Centre (DIFC)

PO Box 506567 - Dubai - UAE

Tel: +971.4.363 74 70

Fax: +971.4.363 74 71

<http://www.ffadubai.com>

Disclaimer

This document has been issued by FFA Private Bank (“FFA”) for informational purposes only. It does not constitute an offer or a solicitation to buy or sell the securities mentioned or to participate in any particular trading or investment strategy. Although the information herein is believed to be reliable and has been obtained from sources believed to be reliable, FFA makes no guarantee or warranty to the accuracy and thoroughness of the information mentioned and accepts no responsibility or liability for damages incurred as a result of opinions formed and decisions made based on information or opinions presented in this document. FFA makes reasonable efforts to provide accurate information and projections. However, certain statements in this document may constitute forward-looking statements or statements which may be deemed or construed to be forward-looking statements. These forward-looking statements involve, and are subject to known and unknown risks, uncertainties and other factors which could cause the actual results, performance (financial or operating) or achievements to differ from the future results, performance (financial or operating) or achievements expressed or implied by such forward-looking statements. Therefore, FFA accepts no responsibility or liability for damages incurred as a result of opinions formed and decisions made based on these forward-looking statements, estimates and projections. The financial instruments discussed in this document may not be suitable for all investors and this document does not take into account particular investment objectives, financial situation or specific needs. Therefore, investors must make their own informed investment decisions. Investment transactions can lead to losses as a result of price fluctuations and other factors. One should therefore consider the appropriateness of the information provided herein in light of his own objectives, financial situation or needs before acting on the information. Opinions, estimates and projections expressed herein constitute the current judgment of the author as of the date of this document. They are subject to change without prior notice. FFA has no obligation to update, modify or amend this document or to otherwise notify a recipient thereof if any opinion, forecast, projection or estimate contained herein changes or subsequently becomes inaccurate.